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Authority EO 12958
By SM NARA Date 4/11/06

March 14, 1973

MEMORANDUM FOR MR. HENRY A. KISSINGER
THE WHITE HOUSE

Subject: NSSM 163/CIEPSM 24: Economic
Policies for the Eastern European
Countries

Transmitted herewith in response to your request of March 7 to Under Secretary Casey following the Senior Review Group meeting on NSSM 163/CIEPSM 24, is a brief outline on a country-by-country basis of actions we propose to take in the coming year with regard to the eight countries covered by that study. The outline is based on the assumption that movement toward economic normalization with these countries is desirable for trade promotion reasons but that it also affords us an opportunity to press for a better atmosphere of overall relations as well as for the completion of unfinished bilateral business in the financial, cultural, and consular areas.

The actions proposed in the outline are based on the understanding reached at the meeting that the principal negotiating problems ahead of us this year concern countries with which we have diplomatic relations but with which we have not yet normalized economic relations to the extent of extending most-favored-nation treatment (Romania, Hungary, Czechoslovakia, and Bulgaria). They are also based on the judgement that we should not enter into negotiation of issues which would be included in commercial agreements involving the extension of most-favored-nation treatment until Congressional consideration of the trade bill is far enough along so that it is evident that the bill will pass this session. It therefore accepts as a working hypothesis the likelihood that

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we will not be able to start our first negotiation of a commercial agreement until fall.

" The outline also reflects the agreement reached at the meeting that negotiation of commercial agreements should be done in sequence starting with Romania and following next with Hungary, Czechoslovakia and Bulgaria. The precise timing would, of course, also depend on the progress registered on outstanding problems and in the atmosphere of relations.

As will be seen from the attached outline, the initiation of negotiation on cultural and scientific exchanges is the next step we plan to take with Hungary, Czechoslovakia and Bulgaria. Pursuit of such negotiations with Czechoslovakia and Bulgaria has been postponed over the last few months pending a review of NSSM 163/CIEPSM 24 but we now feel, in light of the March 7 meeting, that there is general agreement we should pursue such negotiations, and indicate to these governments that a rapid and successful conclusion will pave the way for negotiations looking towards economic normalization. Inasmuch as we have already satisfactorily concluded a cultural and scientific exchanges agreement with Romania, we plan to proceed next with Hungary, with which we have already exchanged drafts, and then propose drafts to Czechoslovakia and Bulgaria as the current consular convention negotiations with these two countries enter their final phase. We expect that, while we should be able to initial exchanges agreements with these countries, they may insist on delaying signature until MFN is assured.

With all four countries, we plan to continue to intensify our recommendations that they promptly initiate or conclude negotiations with the Foreign Bondholders Protective Council looking toward the settlement of defaulted pre-war bonds. With Czechoslovakia, we plan to initiate negotiations of US claims against Czechoslovakia for nationalized property and the return of Czechoslovak gold. This proposal will be forwarded for NSC review in the near future.

We plan to cite our improving relations with Poland

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and Hungary as appropriate in our discussions with representatives of these two countries of matters within the purview of ICCS in Vietnam. Assistant Secretary Green called in the Ambassadors of Poland and Hungary last week to urge their governments to press the DRV and the PRG to cease violations of the VN agreement. He stated that their efforts as ICCS members would have a bearing on the improvement of our bilateral relations with those two countries.

Inasmuch as the March 7 Senior Review Group meeting agreed that negotiation of substance with the GDR and Albania was still somewhat removed and that there are no major outstanding issues for phased negotiation with Poland and Yugoslavia, these four countries are dealt with in the attachment in a somewhat different manner than Romania, Hungary, Czechoslovakia and Bulgaria. Instead of a linked sequence of issues for negotiation, a simple listing of the principal issues which remain to be resolved is presented but with no indication of time phase or linkage.

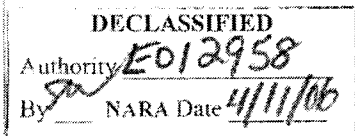


Theodore L. Eliot, Jr.
Executive Secretary

Attachment:

Outline of Proposed Actions

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Proposed Actions and Negotiations in US
Relations with the Countries of Eastern Europe
during 1973 and 1974

Romania

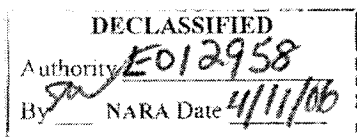
1. Continue to urge the Romanian Government to initiate negotiations with the Foreign Bondholders Protective Council regarding \$15.5 million worth of defaulted pre-war bonds.
2. Continue to urge the Romanian Government to adopt a more forthcoming policy towards dual nationals and Romanian citizens who wish to leave Romania in order to rejoin relatives residing in the US.
3. Continue to develop periodic cabinet-level and other high level visits in both directions, involving consultations not only on bilateral issues but also on such current international issues as CSCE, MBFR, Middle East problems, and general international initiatives such as those we undertake in the UN.
4. Initiate negotiations of commercial issues which would be involved in a commercial agreement including the extension of MFN (to be undertaken when passage of trade legislation including MFN authority appears assured, probably not before fall).
5. Extend MFN soon after the passage of relevant trade legislation provided satisfactory achievement has been registered in the above areas.

Hungary

1. Pursue the negotiation of a cultural and scientific exchanges agreement based on the US draft (July 1972) and the Hungarian drafts (March 1973) with a view to initialing or signing such an agreement as soon as possible - preferably prior to the conclusion of commercial negotiations.
2. Encourage the Hungarian Government to pursue

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the negotiations that it has started with the Foreign Bondholders Protective Council with a view to obtaining an agreement (although not necessarily the initiation of payment) prior to or in conjunction with the extension of MFN.

3. Continue to urge the Hungarian Government to play an appropriate role in ICCS relating this as a factor in the improvement of US-Hungarian relations.

4. Continue to encourage a more moderate and accurate treatment of US developments and foreign policy in Hungarian media and official pronouncements.

5. Continue to press the Hungarian Government to review the relatively few inconveniences (entry procedures, real estate transfer, etc) which, hinder normal Embassy operations in Budapest.

6. Initiate negotiation of commercial issues with Hungary as soon as a comparable negotiation with Romania is completed or well advanced.

7. Extend MFN after the conclusion of a satisfactory commercial agreement if satisfactory achievement in the preceding areas has been registered.

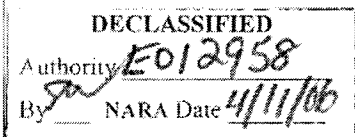
Czechoslovakia

1. Expedite the conclusion of the Consular Convention now under negotiation.

2. Initiate negotiations for a cultural and scientific exchanges agreement looking toward the initialling or possibly signature of such an agreement prior to or simultaneous with the conclusion of commercial negotiations.

3. Continue to encourage a more moderate and accurate treatment of US developments and foreign policy in Czechoslovak media and official pronouncements and a more forthcoming Czechoslovak policy on reuniting of families through emigration.

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4. Continue to encourage the Czechoslovak Government to initiate discussions with the Foreign Bondholders Protective Council on \$2.7 million worth of defaulted bonds (although it is unlikely that the Czechoslovaks will do so until the financial negotiations described in paragraph 5 are proceeding in a promising manner).

5. Initiate negotiations on the package of financial issues including claims (\$113 million), blocked accounts (on both sides), and the return of 18.3 tons of Czechoslovak gold now being held by a US-UK-France Tripartite Commission looking towards an agreed settlement prior to or simultaneous with the conclusion of commercial negotiations and the extension of most-favored-nation treatment and ExIm credits.

6. Initiate negotiation of issues involving a commercial agreement including MFN as soon as a comparable negotiation with Hungary is completed or well advanced.

7. Extend MFN when satisfactory progress or achievement has been registered in the previous categories and a satisfactory commercial agreement has been concluded.

Bulgaria

1. Expedite the conclusion of the Consular Convention now under negotiation.

2. Initiate negotiations for a cultural and scientific exchanges agreement looking toward the initialling or possible signature of such an agreement prior to or simultaneous with the conclusion of commercial negotiations.

3. Continue to press the Bulgarian authorities to ameliorate the difficult Embassy operating conditions (multiple-entry visas, handling of pouches, access to Embassy premises, etc.) as a demonstration of their sincerity in facilitating improved relations.

4. Continue to encourage a more moderate and

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accurate treatment of US developments and foreign policy in Bulgarian media and official pronouncements and a more forthcoming policy on reuniting of families through emigration.

5. Continue to encourage the Bulgarian Government to initiate negotiations with the Foreign Bondholders Protective Council on \$6.5 million worth of pre-war defaulted bonds.

6. Initiate negotiations of issues involving a commercial agreement including MFN as soon as comparable negotiations with Czechoslovakia is completed or well advanced.

7. Extend MFN when satisfactory progress or achievement has been made on the listed issues and a satisfactory commercial agreement has been concluded.

Poland

1. Continue to negotiate commercial issues already programmed by the joint Polish-American Trade Commission.

2. Continue to urge the Polish Government to play an appropriate role in ICCS relating this as a factor in the improvement of US-Polish relations.

3. Continue to encourage a more moderate and accurate treatment of US developments and foreign policy in Polish media and official pronouncements and greater facilitation of the reuniting of divided families through emigration.

4. Continue to develop periodic cabinet-level and other high level visits in both directions, involving consultations not only on bilateral issues but also on such current international issues as CSCE, MBFR, Middle East problems, and general international initiatives such as those we undertake in the UN. A visit to the US in the fall by the Polish leader Gierek should be the main feature in this process.

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5. Encourage increasing financing by the Polish side in the joint scientific research program.

Yugoslavia

1. Encourage the Yugoslavs to enter into negotiation of a civil aviation agreement covering scheduled and charter services.

2. Continue to encourage the development of joint Yugoslav-US scientific research but with joint financing including a input from the Yugoslav side.

3. Continue to seek an improved consular understanding governing notification and access in the cases of arrested dual nationals.

4. Continue to endeavor to improve relations with the Yugoslav military including certain military sales.

5. Continue the programming of cabinet-level visits in both directions focussing on visits by the Secretary of Commerce, the Secretary of Treasury and the Secretary of Defense to Yugoslavia and a return visit late in 1973 or early 1974 by the Yugoslav Prime Minister with a view to continuing consultations on bilateral issues and on international issues such as CSCE, MBFR, Middle East, international terrorism, and other issues of worldwide relevance.

GDR

The GDR will be considered separately at an appropriate time in accordance with the sense of the meeting.

Albania

1. Continue to give occasional public indications of US readiness to negotiate resumption of diplomatic relations.

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